

## Message Text

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ORIGIN AF-06

INFO OCT-01 ISO-00 SNM-02 EB-07 EUR-12 FEA-01 ERDA-05

AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01

H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 /100 R

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APPROVED BY: AF/C: WLCUTLER

AF/EPS: RDUNCAN

S/NM: SVANCE

EB/IFD/ODF: CSTOCKER (DRAFT, PARAS 1 AND 6)

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P 122209Z SEP 75

FM SECSTATE WASHDC

TO AMEMBASSY KINSHASA PRIORITY

INFO AMEMBASSY BRUSSELS PRIORITY

C O N F I D E N T I A L STATE 217876

E.O. 11652: GDS

TAGS:

SUBJECT: SUPPLY OF PETROLEUM

REFS: KINSHASA 8067 AND 7887(NOTAL)

1. SUMMARY. DEPTOFF HAS DISCUSSED POL SUPPLY PROBLEM  
WITH WILLIAMS OF MOBIL, DEMMUNICK OF FNCB AND RUSSO OF  
IMF. WHILE MOBIL HAS WORKED OUT LOGISTICS OF SUPPLYING  
ZAIRE 40 MILLION DOLLARS IN CRUDE AND PRODUCT ON CREDIT  
BETWEEN NOW AND BEGINNING OF 1976, BANK GUARANTEE WHICH  
MOBIL REQUIRES IS APPARENTLY NOWHERE IN SIGHT. THERE IS  
NO POSSIBILITY OF 1975 IMF OIL FACILITY DRAWING TO HELP  
FINANCE POL NEEDS UNTIL IMF MISSION TO KINSHASA SECOND  
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HALF OCTOBER HAS ASSESSED WHETHER GOZ'S STABILIZATION

PROGRAM SATISFIES CONDITION OF 1975 FACILITY THAT  
RECIPIENTS TAKE ADEQUATE MEASURES TO ACHIEVE MEDIUM-TERM  
SOLUTION TO THEIR BALANCE OF PAYMENTS PROBLEM.

2. DEPTOFF DISCUSSED ZAIRE POL SUPPLY SITUATION WITH  
WILLIAMS OF MOBIL OIL SEPTEMBER 9 AND 11. WILLIAMS  
REPORTS THAT HIS COMPANY HAS COMPLETED ANALYSIS OF  
LOGISTICS OF PROVIDING 40 MILLION DOLLARS IN CRUDE AND  
PRODUCT ZAIRE HAS ASKED FOR BETWEEN NOW AND BEGINNING  
OF 1976. IN SEPTEMBER HE SENT MESSAGE FOR DELIVERY TO

BISENGIMANA AFFIRMING HIS READINESS TO RETURN TO  
KINSHASA AND ASKING TO BE ADVISED ABOUT WHEN WOULD BE  
CONVENIENT TIME FOR VISIT. AS WILLIAMS SEES IT, MOBIL  
HAS DONE ITS HOMEWORK AND IT IS NOW UP TO GOZ TO ARRANGE  
BANK GUARANTEE AS PROMISED BY BISENGIMANA AND TO SO  
ADVISE MOBIL ONCE GUARANTEE IS IN HAND. BASED ON REPORTS  
FROM MOBIL REP DUBRULE IN KINSHASA AND INFORMAL CONTACTS  
WITH CITIBANK IN NEW YORK, MOBIL HAS NO REASON TO BELIEVE  
THAT PROGRESS HAS BEEN MADE TOWARD SECURING SUCH A  
GUARANTEE. WILLIAMS SAID THAT TIME IS AWASTING AND  
THAT TO AVOID SUPPLY INTERRUPTION TANKER WOULD HAVE TO  
BE SET EN ROUTE TO ZAIRE WITHIN NEXT TEN TO FIFTEEN DAYS.  
(HE SAID THAT HE THOUGHT MOBIL NOW HAD IN HAND SEPARATE  
PROBLEM OF SUPPLYING SHABA'S IMMEDIATE NEEDS ON CASH  
BASIS.)

3. DEPTOFF SAID THAT CRUX OF PROBLEM WAS TO FIND  
SOMEONE WILLING TO BEAR THE RISK OF PROVIDING ZAIRE  
WITH POL ON CREDIT AND ASKED WHAT MATERIAL CONTRIBUTION  
TO SOLUTION OF PROBLEM MOBIL WAS REALLY OFFERING TO MAKE  
IF IT WAS UNWILLING TO BEAR ANY OF THE RISK ITSELF.  
WILLIAMS SAID MOBIL WAS OFFERING TWO THINGS: DELIVERY OF  
THE RIGHT MIX OF CRUDE AND PRODUCT AT THE RIGHT PLACES  
WITHIN THE TIME FRAME REQUIRED--SOMETHING THAT NO ONE  
ELSE BUT SHELL HAD THE MARKETING INFRASTRUCTURE TO DO;  
AND CREDIT TERMS (HE SAID THAT ALTHOUGH NO DETAILS HAD  
BEEN DISCUSSED WITH BISENGIMANA, COMPANY WOULD BE  
PREPARED TO PROVIDE SIX MONTHS TO TWO YEARS CREDIT AT  
COMMERCIAL INTEREST RATES). DEPTOFF SAID ZAIRE COULD GET  
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CREDIT ANYWHERE IF CREDITOR COULD OFFLOAD THE ENTIRE  
RISK, AS MOBIL PROPOSED TO DO. HE SUGGESTED THAT IF  
MOBIL HOPED TO GAIN ANY LEVERAGE WITH GOZ IN COMPENSATION  
NEGOTIATIONS IT WOULD PROBABLY HAVE TO SHOULDER SOME OF  
THE RISK ITSELF. WILLIAMS SAID THAT THIS WAS OUT OF THE  
QUESTION, THAT HIS MANAGEMENT HAD MADE FIRM DECISION THAT  
IT WOULD NOT INCREASE ITS EXPOSURE IN ZAIRE AND THAT GOING  
OUT ON THE LIMB FOR ANOTHER 40 MILLION DOLLARS OR EVEN

ANY SIGNIFICANT PART OF IT TO PROTECT 20 MILLION DOLLARS  
INTEREST IN NATIONALIZED ASSETS WOULD BE FOOLISH. (HE  
READILY ACKNOWLEDGED THAT IF COMPENSATION CLAIM WAS FOR  
100 MILLION DOLLARS, COMPANY'S JUDGEMENT MIGHT BE VERY  
DIFFERENT.) WILLIAMS SAID  
HE HAD ALREADY TAKEN SOME HEAT  
FROM HIS MANAGEMENT FOR TYING UP SUPPLY AND DISTRIBUTION  
DEPARTMENT IN PLANNING ELABORATE SUPPLY EFFORT THAT MIGHT  
NEVER BE IMPLEMENTED. HE INDICATED MOBIL IS STILL  
WILLING PLACE ITS "EXTENSIVE LOGISTICS CAPACITY" AT  
ZAIRE'S DISPOSAL BUT SAID THAT LACK OF PAYOFF ON EARLIER  
GESTURES TOWARD GOZ DIDN'T ARGUE FOR FURTHER RISK-TAKING.  
(HE NOTED THAT COMPANY HAD PROVIDED ZAIRE WITH DESPERATELY  
NEEDED CRUDE IN TIGHT WORLD MARKET SITUATION FIFTEEN  
MONTHS AGO ONLY TO BE TOLD THAT SUBSEQUENT  
LONGER-TERM CONTRACT GOING TO ARABS "FOR POLITICAL  
REASONS"; HE ALSO NOTED THAT MOBIL'S COOPERATION WITH  
PETROZAIRO HAD NOT EXPEDITED SETTLEMENT OF COMPENSATION  
CLAIM DESPITE MOBUTU'S PROMISE TO MOBIL SOUTH PRESIDENT  
ADAMS YEAR AND A HALF AGO THAT CLAIM WOULD BE SETTLED  
PROMPTLY. HE DID ACKNOWLEDGE AS A PLUS MOBIL'S  
LUCRATIVE MANAGEMENT/TECHNICAL ASSISTANCE CONTRACT.)  
COMMENT: WILLIAMS NOTED IN PASSING THAT DESPITE TIGHT  
FONEX POSITION GOZ HAS FOUND MONEY A COUPLE OF WEEKS AGO  
TO PAY OFF 7 MILLION DOLLARS OF 13 MILLION DOLLARS OIL  
DEBT TO ALGERIA, PRESUMABLY AS CONDITION FOR RECEIPT  
OF LAST ALGERIAN TANKER-LOAD. FROM THIS AND OTHER  
COMMENTS. DEPTOFF GOT IMPRESSION THAT HE MAY EXPECT THAT,  
IN PINCH, GOZ WILL COME UP WITH FONEX FOR NECESSARY  
POL IMPORTS AT EXPENSE OF OTHER REQUIREMENTS SUCH AS  
DEBT SERVICING, AND THAT MOBIL WILL BE POSITIONED TO GET  
THE BUSINESS.

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4. CONCERNING COMPENSATION NEGOTIATIONS, WILLIAMS SAID  
DUBRULE HAD REPORTED "VERY SLOW" PROGRESS IN SESSIONS  
THIS WEEK. HE SAID DUBRULE WOULD BE FLYING TO SPAIN  
THIS WEEKEND TO MEET WITH WILLIAMS AND OTHER MOBIL  
SOUTH OFFICIALS AND DISCUSS BOTH COMPENSATION AND OIL  
SUPPLY QUESTIONS. REITERATING MOBIL WILLINGNESS "BE  
COOPERATIVE", WILLIAMS GAVE DEPTOFF INFORMATION ABOUT  
HOW TO REACH MOBIL GROUPS IN SPAIN.

5. IN CONVERSATION WITH DEPTOFF SEPTEMBER 10, DEMMUNICK  
OF FNCB CONFIRMED  
THAT BANK NOT DISPOSED TO PROVIDE  
FINANCING OR "GUARANTEE" FOR OIL DEAL, WITH FUTURE  
ZAIRIAN OIL PRODUCTION OR OTHER MINERAL PRODUCTION AS  
COLLATERAL. HE STATED THAT SOME OF FNCB'S OWN LOANS,

INCLUDING SYNDICATED BOP LOAN, FORBID ZAIRE TO MORTGAGE ITS ASSETS AND PROVIDE THAT IF, DESPITE PROHIBITION, THIS IS DONE, ASSETS MORTGAGED AUTOMATICALLY BECOME SECURITY FOR THOSE LOANS TOO; THIS WOULD MEAN, FOR EXAMPLE, THAT FNGB WOULD HAVE TO SHARE WITH ITS PARTNERS IN BOP LOAN ACCESS TO ANY SECURITY IT MIGHT GET FOR NEW OIL LOAN. DEMUNNICKACKNOWLEDGED THAT HE COULD NOT SPEAK AUTHORITATIVELY ON SUBJECT BUT SAID THAT BANK'S LAWYERS WERE WORKING ON IT AND WOULD BE COMING UP WITH DEFINITIVE JUDGEMENT. DEMMUNICK SAID BANK ALSO HAD OTHER CONCERNS ABOUT PERFECTING LIEN ON KINDS OF ASSETS ZAIRE MIGHT BE ABLE TO PLEDGE. AMBASSADOR VANCE IS CONTACTING FRIEDMAN OF FNGB SEPARATELY RE POSSIBILITY OF FINANCING OIL DEAL, BUT DEMUNNICK'S COMMENTS OFFER; NO GROUNDS FOR OPTIMISM.

6. IN CONVERSATION WITH RUSSO OF IMF SEPTEMBER 10, DEPTOFF RAISED POL SUPPLY PROBLEM AND ASKED WHEN ZAIRE MIGHT HAVE ACCESS TO 1975 IMF OIL FACILITY. RUSSO NOTED INCREASED CONDITIONALITY OF 1975 FACILITY, WHICH REQUIRES INTER ALIA THAT APPLICANT SATISFY IMF THAT IT IS TAKING ADEQUATE MEASURES TO ACHIEVE MEDIUM-TERM SOLUTION TO ITS BALANCE OF PAYMENTS PROBLEM. HE SAID THAT THIS COULD NOT BE DETERMINED UNTIL IMF MISSION VISITS ZAIRE LAST HALF OCTOBER (ARRIVAL DATE IS NOW OCTOBER 15) AND THAT EVEN IF ALL CONDITIONS MET IT WOULD BE IMPOSSIBLE

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EFFECT DRAWING BEFORE NOVEMBER-DECEMBER. KISSINGER

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## Message Attributes

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